

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FEAЕ-00 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 AGRE-00
/096 W

-----301603Z 044277 /46

R 300530Z MAR 77
FM AMEMBASSY MANILA
TO USLO PEKING
AMCONSUL HONG KONG
INFO SECSTATE WASHDC 7752

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E. O. 11652: NA
TAGS: ENRG, RP, CH
SUBJECT: PNOC OFFICIAL SEEKS OIL IN PEKING

REF: A. 75 MANILA 16216, B. 76 MANILA 7666, C. 76 MANILA 16785

SUMMARY. A SENIOR PNOC OFFICIAL LEFT FOR PEKING MARCH 29 TO REVIEW THE SHENGLI CRUDE OIL SUPPLY CONTRACT FOR 1977. A HIGHER PRICE AND CONSTANT VOLUME ARE FORESEEN. OFFICIAL STATES THERE IS NO TIE BETWEEN THIS MISSION AND THE SO-CALLED SUGAR FOR OIL BARTER ANNOUNCED BY MRS. IMELDA R. MARCOS AFTER HER U.N. FORAY LAST JANUARY. END SUMMARY.

1. MR. ANTONIO DEL ROSARIO, EXECUTIVE DIRECTOR, PHILIPPINE NATIONAL OIL COMPANY, LEFT MARCH 29 FOR PEKING TO NEGOTIATE A RENEWAL OF THE PNOC/PRC CRUDE OIL SUPPLY CONTRACT.

2. LIFINGS UNDER THE CURRENT CONTRACT, NEGOTIATED IN NOVEMBER OF 1976 AND RE-AFFIRMED DURING A VISIT BY DEL ROSARIO IN OCTOBER 1976, SHOULD CONCLUDE AT ABOUT MID-YEAR.
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THE PHILIPPINES HAVE BEEN LIFTING ON THE AVERAGE OF 15,000 BBLS/DAY UNDER THE PRESENT CONTRACT. DURING 1976 PNOC TOOK 3.9 MILLION BARRELS FROM THE PRC, REPRESENTING 5.6 0/0 OF TOTAL PHILIPPINE CRUDE IMPORTS.

3. DEL ROSARIO TOLD EMBOFF THAT, WHILE HE HAS RECEIVED NO ADVANCE ADVICE FROM THE PRC CONCERNING A PRICE

INCREASE, HE EXPECTS IT TO BE ONE OF THE SUBJECTS TO BE PINNED DOWN DURING HIS VISIT. HE NOTED THE PRC "FRIENDSHIP PRICE" HAS GENERALLY INCREASED IN STEP WITH OPEC INCREASES. HE SAID HE WAS AWARE THE CHINESE WERE INCREASING THEIR PRICE TO THE JAPANESE, BUT REMAINED HOPEFUL THEY WOULD BE MORE GENEROUS WITH A "FELLOW THIRD WORLD COUNTRY."

4. DEL ROSARIO IS NOT OPTIMISTIC ABOUT INCREASING THE VOLUME OF LIFTINGS. THE CONSTRAINT IN THE PAST HAS BEEN ON THE SUPPLY SIDE RATHER THAN ON RECEIPT, AND CONTRACT VOLUMES HAVE CONSISTENTLY BEEN LARGER THAN THE PRC WAS WILLING TO DELIVER, HE SAID. THIS IS ONE REASON THE 1976 CONTRACT IS RUNNING THROUGH MID-1977. THIS IS A DEPARTURE FROM HIS PREVIOUSLY REPORTED STATEMENTS THAT THE TOTAL AMOUNT OF CRUDE THE PHILIPPINES WOULD IMPORT FROM THE PRC WAS LIMITED BY THE LOCAL REFINERIES ABILITY TO ABSORB THE SHENGLI CRUDE WHICH MUST BE BLENDED WITH OTHER CRUDES AND SOLD ONLY AS FUEL OIL.

5. IN RESPONSE TO EMBOFF QUESTION, DEL ROSARIO SAID THIS CONTRACT NEGOTIATION/RENEWAL HAS BECOME A ROUTINE EVENT BASED ON THE PNOC'S OWN OPERATING REQUIREMENTS. HE SAID HE IS NOT AWARE OF ANY TIE BETWEEN THIS CONTRACT RENEWAL AND THE SUGAR FOR OIL BARTER ARRANGEMENT ANNOUNCED BY MRS. IMELDA ROMUALDEZ MARCOS AFTER HER NEW YORK UN SOJOURN IN JANUARY. HE SPECULATED ONE COULD EQUATE SUGAR SALES RECEIPTS TO OIL COSTS AND LIMITED OFFICIAL USE

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CALL IT BARTER, BUT WENT ON TO NOTE THAT OIL BILLS FROM THE PRC MOUNT UP FASTER THAN RECEIPTS ON COMMODITY SALES HAVE (SPECIFICALLY SUGAR AND COOPER), THUS INDICATING THE PHILIPPINES CONTINUES TO HAVE A TRADE DEFICIT WITH THE PRC. WE ALSO CONCLUDE THAT THE PNOC IS STILL PAYING FOR SHENGLI CRUDE WITH HARD CURRENTY AND IS NOT BARTERING SUGAR.

6. AMEMBASSY MANILA WOULD BE INTERESTED IN ANY INFORMATION ADDRESSEE POSTS MAY DEVELOP ON RESULTS OF DEL ROSARIO MISSION.

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Message Attributes

Automatic Decaptoning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, CONTRACTS, TRADE VISITS
Control Number: n/a
Copy: SINGLE
Sent Date: 30-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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